

I

ASEAN FREE TRADE AREA:  
POTENTIAL, PROBLEMS AND PROSPECTS

BY

JAFRI ABDUL JALIL

THIS RESEARCH REPORT SUBMITTED TO  
THE FACULTY OF ECONOMICS AND ADMINISTRATION  
UNIVERSITY MALAYA  
IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE  
DEGREE OF MASTER OF PUBLIC ADMINISTRATION  
SESSION 1995/96

# TABLE OF CONTENTS

## CHAPTER 1

Introduction .....	1
Literature Review .....	8

## CHAPTER 2

Economies of ASEAN Countries .....	19
Pre-AFTA Arrangement .....	28
The Assessment of Pre-AFTA Economic Cooperation .....	31
Background of AFTA .....	34
Conclusion .....	39

## CHAPTER 3

Political Challenges to AFTA in the 1990s .....	41
Internal Territorial Disputes .....	56
External Territorial Disputes .....	61
Conclusion .....	61

## CHAPTER 4

AFTA and the General Economic Imperative .....	64
Internal Economic Challenges .....	66
Major Economic Powers Strategic Interest in AFTA .....	73
ASEAN-European Community Economic Relations .....	75
ASEAN-the United States Economic Relations .....	78
ASEAN-Japan Economic Relations .....	81
ASEAN-China Economic Relations .....	85
The Opportunities for AFTA .....	89

### PERPUSTAKAAN UNIVERSITI MALAYA

## CHAPTER 5

Opportunities for AFTA .....	91
Conclusion .....	96

REFERENCES .....	97
------------------	----

APPENDIX 1. Profile of ASEAN member states .....	102
--	-----



## LIST OF TABLES

Table	Page
2.1 The Economies of ASEAN .....	27
2.2 Average Common Effective Preferential Tariff Rates .....	38
3.1 ASEAN Defence Expenditure Per Capita (1988-1991) .....	47
3.2 Southeast Asia Military Balance (1992-1993) .....	48
4.1 Intra-ASEAN Trade for ASEAN (in percentage) .....	68
4.2 The Distribution of Foreign Direct Investment (1990-1993), in ASEAN (US \$ million and in percentage) .....	73
4.3 Structure of ASEAN Trade 1994 (in percentage) .....	76
4.4 Foreign Direct Investment in ASEAN (EC, Japan and the US) ....	77
4.5 ASEAN's Trade with the United States 1981-1993 (in US \$ million) ...	80
4.6 Share of Manufactures in ASEAN Export by Destination .....	83
4.7 ASEAN: Direction of Export and Imports (in percentage) .....	87
4.8 Distribution of Foreign Direct Investment, (in US \$ million and percentage) .....	90